

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7339
INFO ALL EC CAPITALS

C O N F I D E N T I A L BRUSSELS 11966

USEEC

PARIS ALSO FOR USOECD

E.O.11652:GDS
TAGS: EFIN, EEC
SUBJECT: EC CONCERTED ACTION ON THE EVE OF THE JUNE 19
FINANCE COUNCIL

REF: BRUSSELS 10369

1. SINCE THE MAY 22 FINANCE COUNCIL, EC COMMISSION OFFICIALS HAVE BEEN CIRCULATING AMONG EC CAPITALS TRYING TO TIE TOGETHER A COMMUNITY "CONCERTED ACTION PROGRAM." THIS HAS ALSO BEEN A SUBJECT AT MEETINGS OF THE COORDINATING GROUP HERE IN BRUSSELS. COMMISSION AND PERMDEL OFFICIALS ARE GUARDED IN THEIR COMMENTS, BUT IT DOES NOT APPEAR THAT THE STAGE HAS BEEN SUCCESSFULLY SET FOR PUTTING TOGETHER A CONCRETE PACKAGE OF STIMULUS MEASURES AT THE JUNE 19 FINANCE COUNCIL, AS HAD BEEN AIMED FOR.

2. THE COMMISSION'S PROPOSAL, AIMED AT ADDING ABOUT
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1 1/2 PERCENTAGE POINTS TO EC GROWTH IN 1979 (TIME FRAME NOT PRECISELY SPECIFIED), STILL CALLS FOR FISCAL STIMULUS TOTALLING ABOUT 0.8 PERCENT OF COMMUNITY GNP. ABOUT HALF THIS AMOUNT WAS TO COME FROM GERMANY, WHICH, WITH A WEIGHT IN THE COMMUNITY OF ABOUT 1/3, WOULD NEED MEASURES EQUIVALENT TO ABOUT 1.2 PERCENT OF GNP. THE OTHER HALF WOULD BE MAINLY SHARED AMONG FRANCE (0.5 PERCENT OF GNP);

UK (0.3 PERCENT); NETHERLANDS (1.0 PERCENT); BELGIUM (0.8 PERCENT), WITH RELATIVELY NEGLIGIBLE AMOUNTS ELSEWHERE. (AN ITALIAN "CONTRIBUTION" WAS PUT DOWN REFLECTING NOT EXPANSIONARY MEASURES, BUT A COMMISSION ESTIMATE THAT ITALIAN EFFORTS TO TRIM THEIR BUDGET DEFICIT WOULD BE A BIT LESS SUCCESSFUL THAN AIMED FOR.)

3. SOURCES HERE SAY THAT GERMAN AUTHORITIES WILL NOT BE READY TO SAY ON JUNE 19 WHAT THEIR CONTRIBUTION COULD BE. THE EXPECTATION IS THAT THIS WILL MORE LIKELY COME AT THE BREMEN EUROPEAN SUMMIT. HOWEVER, COMMISSION SOURCES ARE ESTIMATING, HOPEFULLY, THAT GERMAN MEASURES, WHEN THEY COME, MIGHT AMOUNT TO ABOUT 1.0 PERCENT OF GNP. AT THE SAME TIME THE FRENCH ARE SAID TO BE TRYING TO BACK OUT FROM THEIR CONTRIBUTION. THE NETHERLANDS IS EXPECTED TO CHIP IN ITS FULL SHARE, BUT THE UK AND BELGIUM ARE SAID TO BE IN A DELICATE POLITICAL POSITION, TRYING TO RECONCILE RECENT OR PLANNED MOVES IN A RESTRICTIVE DIRECTION WITH AT LEAST A SHOW OF CONTRIBUTION TO THE PROGRAM. IT IS HOPED THAT THE UK MIGHT BE IN A BETTER POSITION TO ACT BY YEAR END. IN ALL, THE COMMISSION NOW GUESSES THAT THEY MIGHT EVENTUALLY BE ABLE TO OBTAIN A TOTAL STIMULUS PACKAGE OF ABOUT 0.5 PERCENT OF COMMUNITY GNP.

4. WITHOUT GERMAN WILLINGNESS TO LAY ANY CARDS ON THE TABLE AT THE PRESENT TIME, IT IS NOW SEEN AS UNLIKELY THAT

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MUCH WILL BE ACCOMPLISHED ON CONCERTED ACTION JUNE 19. HOWEVER COMMISSION SOURCES STILL HOPE THAT THE LIMITED DISCUSSION WILL MAINTAIN PRESSURE ON THE GERMANS TO COME THROUGH IN JULY. HINTON

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